

**LAPSE OF  
TIME**

EB/CAM/20/6

May 11, 2020

To: Members of the Committee on Executive Board Administrative Matters

From: Gilles Bauche, Committee Secretary

Subject: **Proposed Administration of Annual Salary Increases in 2020 to Personnel in Offices of Executive Directors**

Committee Action: Committee Members' **consideration** on a lapse of time basis

Deadline to Request a  
Committee Meeting,  
after which Proposed  
Recommendation  
Deemed Approved:

**Monday, May 18, 2020  
5:30 p.m.**

Proposed  
Recommendation:

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Questions:

Mr. Bauche, SEC (ext. 36764)  
Ms. Michaels, SEC (ext. 35451)  
Ms. Llames, SEC (ext. 34524)

Additional Distribution:

Members of the Executive Board





May 11, 2020

## PROPOSED ADMINISTRATION OF ANNUAL SALARY INCREASES IN 2020 TO PERSONNEL IN OFFICES OF EXECUTIVE DIRECTORS

### EXECUTIVE SUMMARY

The Comprehensive Compensation and Benefits Review (CCBR) decisions adopted by the Executive Board in December 2019 include changes to the methodology and process governing annual salary increases for Fund staff and contractual employees. Under this new compensation system, Fund staff will receive a single annual salary increase instead of separate structure and merit increases. The CCBR decisions provide that, ordinarily, the amount of the salary increase will be based on an employee's performance and position in the grade salary range.

Since the CCBR decisions were taken, the Fund's focus has shifted to mobilizing in the face of the COVID-19 pandemic, which has required rapid reprioritization of workstreams. As a result of the heavy workload arising from the crisis, management has temporarily streamlined the Annual Performance Review process. Fund staff will not receive a formal performance rating in 2020; instead, salary increases for 2020 will be distributed to Fund staff solely on the basis of their positions in the grade salary range. Performance ratings will resume in 2021.

The CCBR modifications to the annual salary increase for staff, and subsequent decisions for 2020, have implications for the administration of similar salary increases for Assistants to Executive Director and contractual employees in Offices of Executive Director ("OED"). This paper proposes a methodology for handling annual salary increases for these OED personnel for 2020, in line with changes approved by Management for Fund staff and contractual employees for this year. Separate proposals will be presented to the CAM later this year for implementing annual salary increases for OED Assistants and contractual employees in 2021 and beyond.

Approved By  
**Gilles Bauche**

Prepared by SEC staff, in consultation with HRD and LEG

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## INTRODUCTION

1. **In the Comprehensive Compensation and Benefits Review (CCBR), completed in December 2019, the Executive Board approved changes to annual salary increases for Fund staff and contractual employees.**<sup>1</sup> This new methodology replaces the previous system in which staff received an annual structural salary increase on May 1 of each year, and a separate merit increase on July 1 of each year.
2. **Going forward, all Fund staff and contractual employees will receive a single annual salary increase based on an indexation formula** (taking into account both any approved structural shift in the staff paylines, and an implied merit component reflecting budgetary headroom generated by staff turnover from year to year). Going forward, the single annual salary increase will be distributed to staff members based on a matrix that takes into account a formal performance rating and the staff member's position in the grade salary range. This methodology is predicated on restricting high performance ratings to a defined percentage of staff, and calibrating performance rewards across the entire institution to remain consistent with the average salary increase approved by the Executive Board.
3. **In the Offices of Executive Directors ("OED"), the Assistants to Executive Director ("OED Assistants") and contractual employees of the OEDs are impacted by this change.** The salaries of Advisors to Executive Directors are automatically adjusted each year to reflect the midpoint of the salary range of the staff grade to which their OED salary tier is pegged; the Executive Board has not adopted a system for awarding merit pay to these employees. The salaries of Executive Directors and Alternate Executive Directors are determined by the Board of Governors and the Executive Board has in turn applied that same annual salary increase to Senior Advisors of Executive Directors. The remuneration frameworks for Executive Directors, Alternate Executive Directors, and Senior Advisors, have not included a merit pay component

## CCBR IMPLICATIONS FOR OED ASSISTANTS' SALARY INCREASES

4. **Historically, Assistants to Executive Directors have received annual salary increases on a similar basis to Fund staff.** The Executive Board has previously:
  - (i) Agreed that Assistants to Executive Directors shall be eligible to receive an annual structural salary increase on the same basis as comparable Fund staff on May 1; and

<sup>1</sup> See *Comprehensive Compensation and Benefits Review—Revised Proposed Decision*, EBAP/19/104, Supplement 1 (12/16/2019).

- (ii) Adopted a defined methodology for calculating an annual merit budget envelope for all OEDs (benchmarked to the average merit increase for Fund staff), allocating those resources to the individual OEDs, and administering annual merit increases for OED Assistants on July 1.<sup>2</sup>

**5. New Executive Board decisions are required to govern the administration of OED annual salary increases following the discontinuation of separate structural and merit increases.** For reasons of administrative efficiency, the timing of the annual salary increase for OED Assistants should be aligned with that of Fund staff. Consideration will also need to be given to how to implement a “combined” increase. It is proposed to handle this process in two steps:

- (i) **The CAM is asked to consider the standalone proposal below for handling the annual salary increase for OED Assistants in FY2020.** It is proposed that FY2020’s salary increase for OED assistants should be aligned with the simplified basis that Management has approved for Fund staff, in light of the heavy workload demands arising from the COVID-19 crisis. The methodology for handling this year’s annual salary increase, outlined below, will be straightforward.
- (ii) **Later this year, proposals will be presented to the CAM for administering OED Assistant annual salary increases in future years (effective 2021).** These proposals will seek to ensure that Executive Directors continue to recognize the performance of their Assistants in a way that is anchored in the broader Fund environment, while taking into account the separate nature of each OED and the need for administrative efficiency in administering this process.

## PROPOSED METHODOLOGY FOR OED ASSISTANTS’ ANNUAL SALARY INCREASE IN 2020

**6. On April 10, 2020, the Executive Board approved increases to the Fund’s salary structure by 2.7 percent, adjusting staff salaries by an average of 3.6 percent, effective May 1, 2020.<sup>3</sup>** The 3.6 percent salary adjustment reflects the total average staff salary increase. Per the CCBR reforms, there will be no separate July merit increase.

**7. As noted above, Fund staff will not receive a performance rating this year.** Instead:

- (i) For staff employed before November 1, 2019 who would have been eligible to participate in the APR process, the salary increase will be distributed to individual

<sup>2</sup> See *Annual Salary Adjustments for OED Assistants – Proposed New Framework*, EBAM/12/7 (7/12/12), and Correction 1 (7/13/12).

<sup>3</sup> See *2020 Review of Staff Compensation*, EBAP/20/28 (3/17/20).

employees in line with previous structural increases (i.e., staff will receive a fixed percentage increase, differentiated by Segment 1, 2, or 3 of the grade salary range).

- (ii) Staff who joined the Fund on or after November 1, 2019 and would not have been eligible to participate in the APR process, will receive the staff weighted average structure increase of 2.7% with no segment differentiation, in line with prior practice.
- (iii) The percentage increase applicable to each segment will be determined by HRD and approved by management at a later date to be determined. The single salary increase will be administered in July and will be retroactive to May 1, 2020.
- (iv) Individual employees whose salary is positioned very close to, at, or even above, the grade salary ceiling for their grade will be permitted to take the full amount of the annual salary increase applicable to employees positioned in the highest segment of the relevant grade salary range (i.e., the annual salary increase for this year may exceed the grade salary ceiling in these cases).

8. It is proposed that, in order to maintain equity of treatment between OED Assistants and equivalent Fund staff, the methodology described in paragraphs 6 and 7 above be adopted for Assistants to Executive Directors in 2020. As noted above, separate proposals will be presented to the CAM in due course for administering annual salary increases for Assistants to Executive Directors in 2021 and thereafter.

## SALARY INCREASES FOR OED CONTRACTUAL EMPLOYEES IN 2020

9. **In 2020, contractual employees employed in Fund departments will receive the full single salary increase (3.6%) without segment differentiation,** in order to better align salaries for contractual employees, pending additional convergence of the contractual and staff salary scales. To preserve equity of treatment, it is proposed that OED contractual employees should receive the same salary increase of 3.6%.

## Proposed Recommendation

The CAM recommends the following decision for adoption by the Executive Board:

- (i) The previous decisions attached to EBAM/12/7, governing the administration of annual structural salary increases and annual merit increases for Assistants to Executive Director, be rescinded.
- (ii) In 2020, all Assistants to Executive Director will receive a salary increase as provided for in paragraphs 7 and 8 above, retroactive to May 1, 2020.
- (iii) In 2020, contractual employees in the OEDs will receive a single salary increase of 3.6 percent, retroactive to May 1, 2020.
- (iv) The CAM will consider and make recommendations to the Executive Board later in 2020 for the administration of annual salary increases for OED Assistants and contractual employees in the OEDs in 2021 and thereafter.